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Pace & Pace

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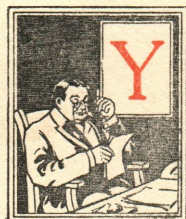


# The PACE STUDENT

Vol. I

New York, November, 1916

No. 12



YOU'RE wrong, my boy, dead wrong," said the General Manager, after he had called his ruffled secretary into the private office. "You don't have to lose your temper and be discourteous to a man merely because you don't agree with him or cannot give him what he wants."

"But that fellow was nothing but a life insurance man, and he hung on until I was sick of him," protested the irate secretary; "I just had to tell him where to get off."

"Yes; and you did it with the finesse of a truck driver paying his respects to a taxi chauffeur—fine business for a general manager's office. Besides, I know a widow and three orphans who are eating regularly because an insurance agent hung on. But even if your caller is a pack peddler, you cannot afford to lose control of yourself and to return abuse for fair treatment. A prize fight can be pulled off without such a breach of etiquette."

"Well," broke in the private secretary, "if I've got to be compared with a prize fighter and take—"

"Hold right where you are, young man," said the G.M. in a tone of voice that suggested the iron in his constitution. "Don't make a fool of yourself twice in one day—it doesn't pay. Take a little time and cool off."

"Perhaps I had better tell you how Collins, of Collins & Company, built up his business," continued the G.M., after a short pause, in a more conciliatory tone of voice. "You know he is worth half a million if he is worth a nickel, and he has always contended that his success is due to his staff of volunteer salesmen—a thousand men who, according to Collins, travel for him at their own expense with-

out salary or commission."

The private secretary settled back in his chair with the air of a man who is constrained to listen to a story for which he has no especial relish. Despite his sullenness, he was a bit interested, because he had often heard of the remarkable success that Collins, who was not yet forty years of age, had made in his printing and stationery business.

"You see," continued the G.M. slowly, as he meditatively felt around in the drawer of his desk for a fresh cigar, "Collins worked in the

office of a wholesale stationery and supply house until he was twenty-seven. He was attentive to his duties and courteous to his associates; and, although he was not much of a talker, when he did talk he nearly always brought the conversation around to a point where it was doing business for H. C. Collins.

"Collins got his start by taking over for a song the plant and stock of a bankrupt concern. He had money enough saved up to buy the outfit and to give him a little working capital. I knew about the venture from the start, because Col-

lins got through to me, told a straightforward story, and requested me to give him a little business—said he would surprise us by the service he would give on rush orders for printing. We tried him out when we were pretty badly crowded, and he made good. In this way he got his start with us and with a number of other concerns that now give him the larger part of their business.

"Early in the game Collins received a deal of help from a salesman named Culver. It seems that he and Culver were pretty good friends before Collins started in business, and Culver was glad to say a favorable word for Collins now and again. A few leads opened up, and these

*The  
General  
Manager  
Talks  
on  
Capital-  
izing  
Cour-  
tesy*

*by  
Homer  
S. Pace,  
C.P.A.*

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(Continued)

were developed into a lot of good business.

"About this time Collins hit on his big idea of using the other fellow's salesmen. As he began to prosper, he was approached by men representing every conceivable line of business—salesmen called on him from paper houses, from supply manufacturers, from stationery novelty manufacturers, from office supply concerns, from typewriter manufacturers, from real estate concerns, from insurance companies, from book houses, from magazines—in fact, the whole selling world had Collins on its card ticklers. Every man wanted to see Collins personally, and even with the best of dodging, the drain upon his working time began to be serious.

"Collins, as he tells the story, at this juncture began to figure out a way to make the time spent with salesmen produce something. He was receiving a lot of benefits from Culver's recommendations, and he came to the conclusion that by a consistent scheme of salesman cultivation he could extend these good results materially. He reasoned out that a salesman is misused or shown scant courtesy in the majority of cases when he calls—especially if he is not calling upon a regular customer, and that he must have an abnormal desire for the glad hand. He also knew that salesmen talk, morning, noon, and night—when they cannot talk their own wares, they talk about the weather, or their friends, or something—in any event, they talk.

*Germ  
in  
Business*

"Each salesman and solicitor from Collins' view-point was a human carrier of information. The problem was to transform him into a carrier of boosts for H. C. Collins—to prevent him from distributing knocks. Collins always said that a disgruntled salesman was a Typhoid Mary—a carrier of malevolent germs through the whole business community that worked against his success. He even figured out the business expectancy of life that a salesman might have. He calculated, for example, that the young and successful salesman thirty years old had a business expectancy of twenty-five and six-tenths years, during which he could be made to produce by the proposed treatment a certain amount of business. He actually decided to chart and card and cross-index this promising material. And he did.

"The entertainment of salesmen and solicitors became an established part of the Collins policy. Every visiting salesman had his fair chance at Collins, who listened patiently for a short time while he casually jotted down the facts for his

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card system. He would give an order if it happened to be good business to do so; but if he was not interested, he would soon get

the conversation turned to his own business. He always kept a few samples of his work at hand, which he showed the visitor, and he then turned him over to his assistant, who took him around the premises. The assistant always brought him back to Collins, who had a final word with him, gave him a few choice photographs bearing the modest imprint of the firm, and dismissed him cordially at the door.

"The salesman nearly always came back, as much for comfort as for orders. If by any chance he failed to appear, Collins' tickler turned up his card, and he was revived with a cheery note.

"In the course of a few years hundreds of salesmen talked for Collins; and while other printers and stationers were hiring solicitors at \$60 a week, Collins' chief difficulty was in keeping up with the work that came in. He was reaping the fruits of organized courtesy, and profits rolled in.

*Organ-  
ized  
Courtesy*

"There are perhaps many men who have built larger businesses and made more money than Collins. Nevertheless, he has made a big success in a highly competitive trade, and he has succeeded because he has recognized the value of creating favorable opinion. The courtesy of the Collins establishment, you may be sure, does not stop with salesmen. It extends to customers, and it operates all the way through the organization. But Collins insists that his success is chiefly due to the staff of volunteer salesmen, built up in the early years of his business.

"My object in telling you this story is to make you understand that no man is big enough, and no business so well established, that the benefit to be received from favorable public opinion can be disregarded. The greatest thing that the railroad world is learning to-day is that success is largely dependent on a favorable public opinion. The policy of President Fisk, of the Hudson & Manhattan tubes, "The public be pleased," has come to stay. Every station agent, every conductor, in fact every employee of the company, including the private secretary to the General Manager, must learn the trick of being courteous, and he must be courteous, even though he radically disagrees with the proposition of the other fellow.

"When you understand and practice this modern doctrine of success, you will be in the way of making the shortest possible mileage to success. And bear in mind that you can't jolly



Philip  
W.  
Henry,  
C.E.

**P**HILIP W. HENRY, C.E., is vice-president of the American International Corporation, in charge of engineering, particularly as related to the construction of railways, roads, and power plants in South America. This plain statement tells more about the kind of man Mr. Henry is and about his technical knowledge and experience, and his executive ability than could be expressed in pages of fulsome biography; for the American International Corporation, because of its world-wide scope, its far-reaching visions, and its high goals of commercial achievement, represents one of the biggest things in industrial endeavor which the world, accustomed though it is to big projects and plans, has yet seen.

This great enterprise, capitalized at \$50,000,000, was organized a little less than a year ago by the ablest financial, engineering, and executive brains of the country, "for the purpose of doing an international business and promoting trade relations with the different countries which will help make a world market for our products; for financing and promoting the development in foreign countries by American engineers and manufacturers of great public and private undertakings; for assisting in financing the rehabilitation of industries in foreign countries; and for undertaking such domestic business as seems advantageous in connection therewith."

Mr. Henry's selection as vice-president was the logical outcome of an engineering career that had been extraordinarily broad in experience and fruitful in accomplishment. The Corporation wanted and needed the best engineering brain it could get, and it picked out Mr. Henry.

The upward steps of Mr. Henry's business life make a journey stimulating to the imagination and the ambition of all young men who are aglow with the desire to compel success because of their preparation for it and their worthiness of it.

After spending three years in railway surveying, Mr. Henry entered the Rensselaer Polytechnic Institute of Troy, New York, where he was graduated in 1887, with the degree of civil engineer. He then became foreman of the works of the Barber Asphalt Paving Company at Buffalo, and was made assistant superintendent in the following year. In 1889 he became superintendent for the company at St. Joseph, Missouri, and at Omaha, Nebraska. Shortly afterward he was appointed superintendent in New York, then assistant to the president, then general

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manager, and finally vice-president and general manager.

In 1902, Mr. Henry opened an office in New York as consulting engineer. From 1905 till 1909 he was vice-president of the A. L. Barber Asphalt Company, operating the Bermudez asphalt deposit in Venezuela, and president of the South American Construction Company, which built 125 miles of railroad in Bolivia, from Viacha to Oruro. This



Philip W. Henry, C.E.

Vice-President of the American  
International Corporation

is one of the highest railroads in the world, the altitude everywhere being 12,000 feet or over.

In October, 1908, Mr. Henry was appointed by Governor Hughes to represent New York State at the first international road congress, called by the French Government and held in Paris, France, at which he delivered an address on "The Future Road," which was favorably commented upon both at home and abroad.

Since 1909, Mr. Henry has been president of the Central Railroad of Haiti, which owns sixty miles of railroad and the pier, tramways, and electric light plant at Port-au-Prince. He is president and director of the Achotla Mines Company,

which owns valuable gold and silver mines in the state of Guerrero, Mexico. In 1910, Mr. Henry made a railroad reconnaissance in Spain, traveling a distance of 700 miles, and studying a proposed railroad from Bilbao to Madrid and thence to Valencia. In 1910 he was appointed vice-president of the Eddy-Peruvian Company, which made a railroad survey for the Peruvian Government, 200 miles in length, from Huancayo to Ayacucho, through an almost impassable country.

During recent years Mr. Henry has devoted considerable attention to the development of oil properties, and has made examinations of such properties in Wyoming, Colorado, Texas, and Mexico, most of the time while acting as consulting engineer for the Southern Pacific Railroad Company. In 1915 he made a trip to Brazil, Argentina, Chile, and Bolivia, examining the general railroad situation in those countries. Then in 1916 came the climax of his business career—his appointment as vice-president of the American International Corporation.

Mr. Henry is a member of the American Society of Civil Engineers, the American Institute of Mining Engineers, the American Institute of Consulting Engineers, the Engineers' Club, the Union League Club, the University Club, the Railroad Club, the Century Association of New York, and the Sleepy Hollow Country Club.

Mr. Henry is the author of many notable articles, mostly of a scientific character, among which may be mentioned "Has the United States Repudiated International Arbitration?" "The Gauge of Railways," "Depreciation as Applied to Oil Properties," and "Engineering Education in Its Relation to Training for Engineering Work."

Mr. Henry is a strong believer in the value to a civil engineer of an accurate knowledge of the principles of Accountancy, and has so expressed himself in articles and in conversation, saying in substance: "The civil engineer, in order to reach the apex of his profession, must know much more than the technical side of engineering. He must know the basic principles of organization, management, and finance, especially from the economic and the legal viewpoints; and he must know how to record and display the essential accounting facts of the enterprise with which he is connected. I believe without qualification in accountancy education for the civil engineer."

Who's  
Who

Biograph-  
ical  
Sketches  
of Men of  
Affairs

Believes  
in  
Account-  
ancy  
Education





ATERED stock is an issue of stock at a nominal value, over and above its true

*The*  
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of the overvaluation had been earned and the impairment of capital stock resulting from such overvaluation extinguished."

value, offset on the asset side of the balance sheet by inflated values usually under the name of good-will, trade-marks, patents, or some other designation of intangible property. Sometimes this inflation has been resorted to for the purpose of covering an embarrassment of riches. It was thought that a declaration of 10 per cent. dividend on an inflated valuation would subject the corporation to less public criticism, at a time when such criticism was rampant, than a declaration of, say, 150 per cent. on the stock at its true valuation. Likewise, inflation of asset values, producing substantially the same effect, has been used for the opposite purpose, namely of affording a basis for the declaration of dividends when the only "profits" available were paper profits resulting from the inflation. The term "watered stock" is usually confined to inflation at the time a corporation is organized or reorganized. In a broad sense, however, any inflation may be considered watering stock, regardless of the time when it is injected into the corporate organism.

**Watered Stock** With a certain class of business organizations, watered stock, like any other cloak for poverty, will doubtless be always with us. The more firmly established corporations do not regard watered stock with favor, and as an expedient of finance it is fast going out of fashion.

The case which I shall now review not only deals with watered stock, but presents a keen and novel analysis of the meaning of net profits, surplus, and capital, as used in the New Jersey Statutes. Furthermore, it shows that a dividend, illegal as to creditors, may not, under the given circumstances, be attacked by stockholders.

Several paper mills combined and sold their properties to a newly organized company. For this purpose certain bonds and all the preferred and some common stock of the new company were issued at an admitted overvaluation of \$11,000,000, carried under the caption of good-will, patents, and trade-marks. From the time of its incorporation until the action was brought, the company had paid all its debts promptly and had earned large annual profits. Dividends were declared on the preferred stock from these annual earnings. Certain of the stockholders attempted to enjoin the payment of the dividends on the ground that there could be no "surplus or net profits until the amount

Stockholders bringing actions of this kind are in a different position from creditors. Creditors extend credit to sole proprietors and to partners largely on the basis of their individual worth, the law holding both the private wealth and the business wealth of the proprietor or the partner liable for the claims of business creditors. Creditors making advances to a corporation know that ordinarily recourse cannot be had against the private wealth of the individual stockholder. Theoretically, they look to the capital stock of the corporation as determining its ability to pay, and the law protects them to the extent of prohibiting any distribution of the capital in the form of dividends or otherwise to stockholders if creditors' rights will be impaired.

On the other hand, the rights of stockholders respecting illegal dividends are based on the theory that, having made an investment in the corporation, they are entitled to have the investment remain intact and not distributed. Hence, to establish their case, these stockholders would have to show that the dividend they sought to enjoin would impair their investment in the corporation.

Courts construe statutes to determine both the technical meaning of terms and also the intent of the legislature in using them. This practice gives rise to a neat distinction in the New Jersey case. An earlier statute used the words "except from the surplus or net profits." The later statute, superseding this one, used the words "except from its surplus, or from the net profits." The Court regarded this change in wording as probably indicating an intent of the legislature, in the second statute, to designate two funds from which dividends might be distributed; i. e., from the annual net profits, or from surplus. However, this decision does not settle the law, for the reason that it was not deemed necessary to the decision, the Court saying:

"Although the change in language indicates that the legislature made a distinction between the surplus and the net profits, it does not necessarily follow that net profits mean the difference between gross earnings and what may be called operating expenses. Such profits may be called annual profits, and it may be that by net profits the legislature meant the net profits upon the whole of the company's business from its organization. If either of these meanings is adopted, the declaration of the present dividend

*Rights  
of  
Stock-  
holders*

*Two  
Views  
of Net  
Profit*



is justified. There was an excess of gross earnings over the operating expenses of the current year, and the value of the present assets exceeded the value of the actual assets with which the company began business."

The decision turned upon the point as to whether an excess of actual assets existed at the time of the dividend over and above the actual assets with which the company began business. Thus, a distinction was drawn between true accounting capital, i. e., the excess of actual assets over liabilities, and nominal capital, i. e., the par value of the stock as issued on the basis of the inflated valuation. Which of these two did the legislature refer to in forbidding the directors to divide, withdraw, or pay to the stockholders "any part of the capital stock in such corporation"? Answering this question, the Court ruled:

"We are led to the conclusion that the words 'capital stock' in the first instance meant capital stock actually invested, by the fact that it is only the actual assets which can be divided, withdrawn, or paid over. These words are not apt words to apply to nominal or share capital, which may be reduced, but can hardly be divided, withdrawn, or paid over."

"Furthermore, the Court points out that the statutory prohibition is "to prevent the frittering away of the actual assets with which the company is to do business, not the nominal assets which it has never received...."

Bear in mind that the Court's construction was based on the rights of a stockholder to enjoin dividends. Throughout the decision it is indicated that different conclusions might have been reached, were creditors objecting. Logically, if the right of a stockholder to enjoin dividends is on the basis of protecting his investment, then only his actual investment should be considered, not his nominal investment. The opinion of the lower Court discussed this phase of the case at length. These stockholders had consented to the issue of the stock on the inflated valuation. The Court ruled that they had participated in the transaction, reaped its benefits, and were not in a position to claim that the good-will bought with the stock, of which they held a part, was overvalued. Numerous cases were cited to the effect that a contract between the company and a stockholder to the effect that stock issued to the latter is fully paid, is, in the absence of fraud affecting other stockholders, binding upon the company and its shareholders. One who holds stock issued under these circumstances cannot complain of the

manner in which the transaction was conducted if the facts were known to the original shareholder.

One text, upon the authority of the case in review, states respecting a corporation "neither need it accumulate profits to offset the water in its stock." This conclusion is entirely too broad.. It should be noted:

1. That the case turned upon the interpretation of the words "capital stock" as meaning actual investment, under circumstances where only the rights of stockholders were involved.
2. That an action of a stockholder to enjoin illegal dividends must be based upon the grounds that his investment will be impaired.
3. That in this instance the actual investment of the stockholders was not impaired.
4. That the Court constantly intimates that a different conclusion might be reached respecting creditors.

This case, decided by a unanimous Court, does not overrule any fundamental legal principle. It merely points out certain circumstances under which stockholders cannot enjoin dividends, together with a possible distinction concerning stockholders between the nominal capital of a corporation and its actual capital.

(Case reviewed Goodnow vs. American Writing Paper Company, 72 N. J. Eq. 645, Affd. 73 N. J. Eq. 692.)

**A**UTOMOBILES are frequent and insistent sources of litigation. Some of the cases arise through the failure of their owners to pay their just debts. For that reason, legislatures, including New York, give to garage owners a lien upon automobiles for storage and repairs. Quite recently one of the garage owners called up an attorney asking him to collect a bill for repairs upon an automobile in his garage. When the attorney told him that he had a lien on the car for the value of his services, he was surprised by the reply that the automobile was not worth the value of the repairs.

More frequently repairs are made to automobiles upon which a chattel mortgage has already been given and recorded. Perhaps the value of the automobile will not pay both the chattel mortgage and the bill for repairs. Immediately the question arises as to whether the garage owner has a lien superior to the chattel mortgage.

Generally speaking, a person having a lien for repairs or storage is not preferred to the holder of a prior chattel mortgage, unless the chattel mortgagee has consented to the giving of the services for which the lien attached. This con-



**A** PLANT is reappraised at several thousand dollars more than the book value. Should the book value be written up to the appraised value? If so, what credit account should be increased to balance?

**A** The answer depends upon the reason why the book value is less than the appraised value. If the reason is the increase in cost of material and labor since the time when the plant was erected, or if the plant was purchased at less than its real value, and the book value represents the actual cost to the company, it is more conservative to allow the book value to remain unchanged, unless injustice to some interest should result by doing so. If for any reason it is considered desirable to write up the book value to the appraised figures, the credit should be made to a reserve account, or else used to reduce some intangible asset, if there is any such asset on the books which can be legitimately reduced. Whatever method is followed, the credit should not be used to increase the profits from operation. If the book value is low because depreciation has been credited to the plant account, instead of being set up as a reserve, it is probable that too much reserve has been credited, and that, therefore, the charge against profit has been too great. In this case the book value may be raised to the appraised value, and the credit should be made to surplus, as profits to the amount of the difference have been improperly withheld from Surplus. This entry would be simply corrective in character, for it would restore both the plant account and the surplus account to the true figures. Even in this case, however, the book value should not be raised to a figure in excess of the original cost.

**Q** In case a corporation has 6 per cent. or 7 per cent. preferred stock and has made a substantial book profit, yet has not a great deal of Cash on hand, can such a corporation declare a dividend of, say, 3 per cent. on such preferred stock, and thus (in the case of cumulative stock) cut down by 3 per cent. the amount which would have to be paid later if profits were subsequently made, and (in the case of non-cumulative stock) give to the preferred stockholders at least 3 per cent., even if they did not get their full percentage? Would a corporation in such a case be apt to issue scrip for the remaining 3 or 4 per cent?

**A** When a given class of stock is preferred, say as to 7 per cent., this is not construed to mean that dividends of less than 7 per cent. cannot be declared thereon. In fact, dividends of any

per cent. may be paid, up to the indicated per cent., within a given fiscal year before the common stock can share in dividends. If two

years after the issuing of 7 per cent. cumulative preferred stock it is desired to declare a dividend upon the common stock, the total dividends to the preferred stock during the two years must amount to 14 per cent. before the common stock can receive a dividend.

What is a contingent asset, and what is an example of such an asset?

**A** A contingent asset is an item which may become a real asset, but which has not as yet a sufficient certainty of value to justify its inclusion in the Balance Sheet. An illustration would be a claim against a railroad.

Please explain when to use the word "sized" and when "size." Is the following sentence correct: "In ordering a list of items one of them reads, '4 ink erasers (small size)'."

**A** The distinction between "small size" and "small sized" is partly one of usage and partly one of grammar. The word "size" is a noun, and, as a general rule, it is undesirable to use a noun as an adjective when it is possible to use an adjective that is in good use, or a participle expressing the same thought. "Sized," being a participle, lends itself more readily to use as an adjective than does "size," which is a noun. Usage seems to take account of this grammatical distinction. Therefore, in my opinion, while "small size" from the point of view of usage is not wholly wrong, "small sized" is the more desirable.

Is it necessary for a joint stock association to have any paid up shares to start business, or to have \$500 of capital stock paid up to start business, and does a joint stock company have to have paid in to it one-half amount of capital stock within a year?

**A** It is not necessary under New York statutes for a joint stock association to have any shares of capital stock paid up to start business, nor does it have to have one-half of the amount of capital stock paid in within a year. However, the rules governing joint stock associations may vary in other states.

What is good delivery, and what constitutes a good delivery?

**A** As to what constitutes "good delivery" various answers may be given depending upon the circumstances of the case. Delivery involves



(Continued)

the passing of title in the thing delivered, and it would seem that the ideal delivery would be made when the passing of the title and the physical possession of the property to the purchaser were simultaneous. If the owner possesses legal title and also physical possession, he has the ideal ownership as contemplated by Law. Much less than this may be held to be "good delivery" in certain circumstances, symbolical delivery being sometimes sufficient.

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right except wherein they are directly and expressly limited in the body of the certificate. Cook, on Corporations, says: "When the cap-

ital stock of a corporation is increased by the issue of new stock, each holder of the original stock has a right to offer to subscribe for and demand from the corporation such proportion of the new stock as the number of shares already owned by him bears to the whole number of shares before the increase."

This right is for the purpose of protecting the stockholder's proportionate ownership in the assets of the corporation. Holders of stock preferred, both as to dividends and final distribution of assets, do not require the protection afforded by what is known as "stock right," and it is doubtful if they can successfully demand it. But to the extent that their rights are not protected by the preference applying to the stock they hold, then to that extent the inherent right of option on a proportionate amount of new issue of stock should apply.

Q Can a corporation hold back dividends on account of arrears in payment of calls and apply the dividends so held back on such arrears in calls?

A Whether a corporation can apply dividends on account of arrears in calls depends upon the wording of the subscription agreement. The subscription agreement gives to the corporation a lien upon the stock so subscribed for, until it is fully paid. By wording of the agreement, this lien may be extended to cover any dividends which may be declared upon such stock.

Q In certain cases bonds may be converted into stock after two and before twelve years from the time of issuance. Does this apply to the time the bonds were issued to a particular person or to the time the bonds were authorized and signed and placed on the market?

A A statement that bonds may be converted into stock during a certain number of years from the time of issuance means that this period will date from the first or original issue of the bonds and not from any later transfer thereof.

Q What is capital receipt, and what is an example of a capital receipt?

A We are somewhat in doubt as to just what you mean by a 'capital receipt.' Strictly speaking, this could only mean a receipt of capital, such as cash received by a partnership to be credited to the capital account of a partner, or in a corporation cash received from the sale of capital stock, or cash received from the disposition of a capital asset.

Q A corporation, having preferred and common stock, desires to increase its common stock. The preferred stock has no voting power. Can common stock be issued without offering it to preferred stockholders? Does the preferred stock carry with it an inherent right to an option on a new issue of common stock?

A It is the rule at law that all shares of the capital stock in a corporation are equal in every

Please advise if the expression "provided that" may not properly be used in some cases instead of "provided." I find the former expression in law books, also in certain grammars to introduce clauses of condition. I should also like to know whether "first-rate" may be used as an adverb, or whether it should be used exclusively as an adjective.

It is true that there is some authority for the use of "provided that" in the sense of "provided," but according to the opinions of authorities on English, the best particle to use is "provided." You must remember in this connection that usage is constantly shifting, and that, while it is dangerous to be unduly dogmatic with respect to the status of certain words and phrases in English, it is often possible to interpret this shifting usage and to arrive at a more or less positive conclusion.

As to the word "first-rate," again it is a question of elegance of usage, which seems to decree that it is best used as an adjective exclusively. We grant that in ordinary conversation and colloquial writing you will find this word often used as an adverb.

*Some men fight their way to success by means of the barrage method. They advance under cover of another's fire.*

*It is better to manufacture shrapnel for the purposes of war than to cultivate a sharp tongue for the purposes of social and business intercourse. The former has at least the merit of temporary legitimacy.*



**T**HE most important convention of the American Association of Public Accountants since its incorporation in 1887 was held from September 19th to September 23d, at the Waldorf-Astoria, in New York. At this convention the Association as such passed out of existence. In its place the Institute of Accountants in the United States of America was incorporated.

The practicing accountants throughout the country had long felt that a nation-wide attempt should be made to organize an association that would be more cohesive, more truly representative, and therefore more useful than the American Association had proved to be. Under date of February 21, 1916, the special committee which had been appointed by the Association to consider the matter of reorganizing the accountants of the country, presented a plan contemplating:

"An organization embracing within its membership all of the reputable practicing accountants in the United States;

"That membership therein shall be individual rather than through other societies;

"That the institute, through its board of examiners, shall examine every applicant for membership, that such examinations shall be adapted to the needs of the profession and be held at such places throughout the country as will reasonably meet the convenience of applicants;

"That by virtue of the maintenance of uniform and reasonably high standards a helpful influence will be exerted by the institute upon accountancy education;

"That the profession of the entire country will be represented by a national organization which will be not only responsive to the best thought of the profession, but will also be capable of maintaining its dignity and honor;

"That through the maintenance of proper standards of admission to and continuance in membership a substantial recognition of the profession can be secured from governmental and trade bodies."

The foregoing plan, which had been communicated to all members of the Association, was referred at the September convention to a special Committee, which was empowered to consider and report upon such changes and modifications in the tentative constitution, by-laws, and special provisions as would insure to the permanent success of the Institute. These changes and modi-

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fications, being at this writing under advisement, are reserved for discussion in a later issue of The Pace Student.

The following is the newly elected roster of officers of the Institute of Accountants in the United States of America: President, W. Sanders Davies, New York; Vice-Presidents, Harvey S. Chase, Boston, and Carl H. Nau, Cleveland; Treasurer, Adam A. Ross, Jr., Philadelphia; Secretary, A. P. Richardson, New York.

A Council was organized, the members of which were elected for five, four, three, two, and one year terms, respectively. The members elected for five years are: Joel Hunter, Georgia; F. W. Lafrentz, New York; W. R. Mackenzie, Oregon; John B. Niven, New Jersey; Herbert G. Stockwell, Pennsylvania; H. Ivor Thomas, California; Arthur Young, Illinois.

The members elected for four years are: James W. Fernley, Pennsylvania; John F. Forbes, California; William Paul Hilton, Virginia; J. Porter Joplin, Illinois; George R. Lamb, Ohio; Elijah W. Sells, New York; E. G. Shorrock, Washington.

The members elected for three years are: Hamilton S. Corwin, New Jersey; Edward E. Gore, Illinois; Bertram D. Kribben, Missouri; Overton S. Meldrum, Kentucky; Waldron H. Rand, Massachusetts; William F. Weiss, New York; C. M. Williams, Washington.

The members elected for two years are: Harold Benington, Illinois; J. D. M. Crockett, Missouri; Homer K. Jones, Tennessee; Page Lawrence, Colorado; F. R. Carnegie Steele, Massachusetts; J. E. Sterrett, New York; Edward L. Suffern, New Jersey.

The members elected for one year are: J. S. M. Goodloe, New York; Elmer L. Hatter, Maryland; R. C. Lloyd, Louisiana; J. Edward Masters, Massachusetts; Robert H. Montgomery, New York; W. Ernest Seatree, Illinois; Ralph D. Webb, Minnesota.

A Board of Examiners was appointed consisting of: Arthur W. Teele, Chairman, New York; Frank G. DuBois, New Jersey; Arthur Young, Illinois; W. P. Hilton, Virginia; B. D. Kribben, Missouri; W. D. Whitcomb, Oregon; Leonard H. Conant, New Jersey; George O. May, New York; H. Ivor Thomas, California.

Social as well as business matters

engaged the attention of the visiting accountants, who were, in a sense, the guests of the New York Society of Certified Public Accountants. A special boat ride, which enabled the members of the Institute and their families and friends to see many points of interest in and around Manhattan Island, was perhaps the most enjoyable part of the social program.

The annual banquet, which was held at the Waldorf-Astoria on the evening of September 21st, was also most enjoyable. Harvey S. Chase made a most efficient toastmaster. The chief speaker was Charles S. Hamlin, of the Federal Reserve Board, who spoke on the Federal Reserve System. Speeches were also made by W. Sanders Davies, R. H. Montgomery, Richard T. Lingley, and E. L. Suffern. After the banquet the Accountants' Round Table acted as hosts at an informal reception to the visiting accountants.

**"B**USINESS should be, and to some extent already is, one of the professions," states Louis D. Brandeis, now Associate Justice of the United States Supreme Court, in "Business—a Profession," published by Small, Maynard & Co., Boston.

Mr. Brandeis thinks that the new professions of manufacturing, of merchandising, of transportation, and of finance must soon gain recognition.

Referring to the success that is to be gained in business, Mr. Brandeis avers, "Real success in business is to be found in achievements comparable rather with those of the artist or the scientist, of the inventor or the statesman. And the joys sought in the profession of business must be like their joys, and not the mere vulgar satisfaction which is experienced in the acquisition of money, in the exercise of power or in the frivolous pleasure of mere winning."

"Big business," concludes Mr. Brandeis, "will mean professionalized business, as distinguished from the occupation of petty trafficking or mere money-making. And as the profession of business develops, the great industrial and social problems expressed in the present social unrest will, one by one, find solution."—Review by J. B. Baerncopf.

J. LEROY KENEFICK has opened offices for the general practice of Law at 638 Prudential Building, Buffalo, New York. Mr. Kenefick is one of the instructors in the Buffalo School of Accountancy.

**Busi-  
ness a  
Profes-  
sion**



Philip W.  
Henry,  
C.E.

(Continued)

Like most business men of worth and high achievement, Mr. Henry takes great interest in the welfare, particularly the educational welfare, of young men, and has taken it since early manhood—an interest that finds expression in deeds rather than words. For many years Mr. Henry has been a member of the Committee of Management of the Twenty-third Street Y.M.C.A., and is now chairman. In this personal service he has given freely of the splendid qualities of mind and heart that have brought him in middle life to the top of the engineering profession, with the result that the varied activities of the Twenty-third Street Association are constantly increasing their helpfulness to young men.

To Mr. Henry's gracious and unaffected personality all who are fortunate enough to know him will bear witness; his is the kind of personality one associates with the man who is really "big," "big" in respect to what he has set out to do and "big" in respect to what he has actually accomplished. "A man without frills," an intimate friend said of him, "and the most genuine man you ever knew."

The temptation to hold Mr. Henry's career up to young men as a

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model of achievement must be foregone. Mr. Henry would not like it or permit it. One thing, though, must be said. If by chance there is any young man in the country who thinks that the day of commercial opportunity is gone, let him take intelligent note of what brains and hard work, day by day, and month by month, have done for Philip W. Henry, at fifty-two vice-president of a corporation whose scope is limited only by the bounds of the earth.

WILLIAM H. DEMPSEY has accepted through the Pace Agency for Placements, Inc., a position of Assistant Secretary and Chief Accountant of the Powers Accounting Machine Company. Mr. Dempsey was formerly engaged in the practice of public accounting on the staff of Arthur Young & Company.

GEORGE M. CURRAN, Accountancy Institute of Brooklyn, who was formerly engaged as Cashier for S. W. Straus & Company, has taken a position as Accountant for the Norton & Lilly Company.

IT IS with deep regret that we record the sudden death from heart failure of Ralph D. Webb, C.P.A., of Minneapolis, at Bayonne, New Jersey, where he had gone to pay a visit to friends immediately after the convention of the American Association of Public Accountants in New York.

Mr. Webb had long been a prominent member of the American Association. For many years he had been a member of the Minnesota State Board of Accountancy, and at the time of his death he was its president. Upon the merger of the American Association with the Institute of Accountants, Mr. Webb was elected a member of the newly created Council of the latter body.

Mr. Webb, by reason of his marked ability, his capacity for far-sighted work, and his genial personality, was a man to whom high honors came as a matter of course. All who were privileged to know him will regret his untimely death.

HAROLD J. BALL, Brooklyn Institute of Accountancy, formerly Cashier for the Windsor Land & Improvement Company, is now employed in a similar capacity by S. W. Straus & Company.

Personal  
Notes

# Developing Business Executives

**O**RGANIZED Business can develop only as it obtains men of executive capacity—men who can plan and drive through work to a successful conclusion. Just as no military organization can be developed and successfully used without a full complement of officers of various grades, so a commercial organization is dependent upon a full complement of executives.

**B**USINESS is insistently demanding more and better executives—a supply of men trained for Business leadership large enough to meet the rapidly expanding volume of commerce. This is the most urgent need of modern organized Business—a need that is voiced by the captains of industry time and again.

**L**ARGE corporations everywhere are taking active steps to train their rank and file with a view to the development of executives. One of the common and effective methods is by means of the well-known Pace Standardized Courses in Accountancy and Business Administration. Many corporations have adopted these courses as official training for employees in their central offices. Regular instruction is given in class lecture groups each week in the basic principles underlying Modern Business—Principles of Organization, Management, Finance, Accounting, Law, and Applied Economics.

**S**TILL other organizations with only a limited number of men in training have found it desirable to provide their employees with scholarships in one of the 54 prominent schools and colleges in which the Pace Courses are given in regular classes.

**E**XTENSION scholarships, by means of which study is carried on through the mails, are often provided by organizations for their employees who find it necessary to travel regularly or at certain seasons of the year, and who are therefore not able to sit in regular class lecture groups.

## PACE & PACE

Pace Standardized Courses in Accountancy, Business Administration, and English, in Residence and by Extension

30 Church Street

New York





O you have a desire, as you move about from day to day, to know the real inwardness of commercial things as well as the surface facts that are always available to the general public? Do you have a commercial curiosity—a mental wanderlust that carries you far afield into affairs in which you have no personal financial interest?

Your Vocation

When shopping, do you have a curiosity to know the history of the goods you purchase? Do you wonder what prices the merchant paid for them, what discounts were taken, what salaries are paid to the buyers and the heads of departments, and what net profit the owner makes on the transaction?

Do you ponder about the various processes through which the crude oil that is pumped out of the well in Oklahoma passes before it reaches you in the form of gasoline that supplies your motor, of vaseline with which you anoint your chapped hands, and of mineral oil which you take internally?

Do you wonder how the box car of the Denver & Rio Grande which you see in New Haven finds its way home again?

As you sit in the theatre, do you wonder what salaries the actors receive, what royalties are paid to the playwright, and what the financial outcome of the play will be?

Do you wonder at the fluctuations in stocks, in bonds, and in rates of exchange?

My friend, if your answers are in the affirmative, you should acquire your information and earn your livelihood by the same operation—you should practice Accountancy. You should, after proper preparation, delve into transportation by land and by sea, you should study the production of sugar, the manufacture of lumber, the mining of iron, copper, coal and other minerals, the production and refining of oil, the operations of trade, exchange, and banking, the management of hotels, clubs, and other institutions—in short, you should move from one organization to another in the professional study of financial and operating details. Study the world of activity at first hand, intensively; sat-

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isfy your legitimate desire to know all things commercial, and collect as you proceed the emoluments that come to the successful practitioner of a new and developing profession—Accountancy.

**"RELUCTANTLY** forced to ask for your resignation." This phrase appeared in a letter of dismissal which a young friend of mine got a short time ago from the Secretary of the manufacturing concern which had employed him for two years. This young fellow was a good bookkeeper—he did his work well; he was honest and industrious. Why, then, should his resignation be "reluctantly" asked for? He publicly antagonized the internal affairs of his concern in respect to custom, policy, and spirit. He was forever airing his views, giving his opinions when they were not asked, suggesting changes where they were not needed, and engaging in verbal tilts with his immediate superior. Soon he got the reputation of being a sorehead, which was not wholly true, as the streak of contrariety was natural to him and did not affect the quality of his technical work. Still, the organization thought his example and his influence upon the other employees were bad—prejudicial to the spirit of cooperation. It was probably true. Anyway, he has been discharged because he was constantly "knocking"—a thing it doesn't pay to do just because you are built that way.

## THE PACE STUDENT

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Interpreting  
the Purpose, Spirit, and Needs  
of Modern Business*

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New York*

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**C**LOTHES do not make the man, but they help a lot in forming the opinion other people have of him. Whether that opinion is erroneous or not is entirely beside the mark. The point is that clothes do help to form the opinion. If a millionaire or a scholar who is unknown goes into a strange town and looks like a tramp, he is likely to be taken for a tramp and treated accordingly, by men and dogs alike. Conversely, if a man looks prosperous, whether he is or not, he will be accorded the respect that prosperity commands from us all. This matter of making a good appearance depends very little upon money. You don't need a closet full of clothes, twenty-five pairs of shoes, and col-

Clothes



lars and neckties by the dozen. You do need one suit that you keep sponged and pressed, one pair of shoes that you keep shined, one collar that is clean, and a good-looking tie—not a cheap nineteen center, please. Look neat and clean and well groomed every day—it pays in self-respect and in the good opinions of others.

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*Learning  
to  
Wait*

**L**EARN to labor and to wait," said Long-fellow. Modern Business says the same thing. In these words poetry and common sense express the same message. Most young men and women need counsel on how to labor and especially on how to wait. Youth is the period of ambition, energy, initiative, hope, imagination, and large expectations; but it is also the period of restlessness, uncertainty, instability, impulsiveness, impatience, short-sightedness, and easy discouragement.

Many a young man, in his feverish desire to get ahead, scoffs at the necessity of proving out his mettle and his abilities in the crucible of preparation. He feels that advancement for him is a dray-horse sort of thing; his throbbing blood must have an aeroplane in which to soar aloft to influence, power and success. So he listens to the words of foolish counsellors, and resigns his position, to seek another which offers better chances of promotion. Nine times out of ten he is wrong, for a change, desirable though it is now and then perhaps, usually means beginning over again—going through the preparation period once more. In the meantime youth itself is slipping away, and full manhood is coming on. This is the point—let it be emphasized—learn to labor, but, above all, learn to wait.

*Overtime  
Study*

**D**O you appreciate the richness, the possible productivity, of your leisure hours—your personal overtime? All day you wrestle with business detail and incident, and your mind is brought to a point where it longs for the peace and contentment of knowledge—for a fully effective control of your problems. At such a time the brain is peculiarly receptive, and the hours devoted to study are especially productive. Overtime study will organize the details of your experience, will provide explanations for the things that occur, and will encourage and strengthen you for the duties of the succeeding day.

*Day-  
School  
Study*

**P**ITY the day-school student, whether he grinds away in academy or university, you fortunate overtime workers! He is not sustained by a first-hand knowledge of the need

for the principle he is sure to acquire, and he must build theory upon theory to be carried as an undigested load until the happy day when the

theories can be tested and assimilated by practical application. You, overtime worker, on the contrary, seek for something you desire and need, and you test its worth by the observation of yesterday and by the experience of to-morrow.

**Y**ES, wonderfully rich and productive are the hours of overtime study. The eight hours of your daily work may be likened to a piston that forces your thinking power into a compression chamber. Overtime study fires the charge, and the result is seen in the powerful, masterful stroke of the man who coordinates study and work.

*Theory  
and  
Practice*

**W**HETHER motoring by land or by sea or by air, the wheel is quite as essential as the horse-power. It's a matter not so much of leaving your present place as of getting to some other place more suited to your abilities and your liking. Hence the need of a destination—a goal—and then a steering apparatus to direct your course.

*Steering*

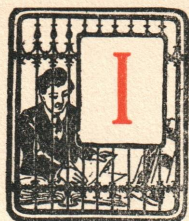
**I**T takes a great man to know both sides of a proposition and to promote one side—his side—energetically. There are few things and few propositions that have but one side. Are you big enough to see both? The man who knows well one side of a proposition may make a great impression upon those who know neither side, but he cannot stand for a moment against the man who knows both sides. Intelligent partisanship, like effective promotion, does not rest upon ignorance of the other man's viewpoint.

*Partisan-  
ship*

**T**HERE is only one letter of difference between "boast" and "boost." Perhaps this is the reason why so many folks, intelligent or otherwise, think the two words mean one and the same thing and may be used interchangeably, especially in reference to personal achievements, realized or deferred. The man who "boasts" about what he has done, is doing, can do, or will do thinks he is "boosting" the value of his stock on the brain exchange. He is unwittingly doing just the opposite—he is paving the way for its ultimate depreciation, for real brains are never "boosted" by "boasting" about them. Do your work well, and you will not need to "boast" of its accomplishment in order to "boost" your reputation for ability.

*"Boast"  
vs.  
"Boost"*





IN the October issue of The Pace Student a reprint was given of the first part of the text of the pamphlet "Fundamentals of a Cost System for Manufacturers," issued recently by the Federal Trade

*The*  
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Commission. A continuation of the same publication, somewhat abridged, is reprinted below.

Overhead

"The job cost sheet now has entered thereon the first two elements of cost, viz., direct material and direct labor, and the next question is the proper method of handling the third element of cost, which is generally known as 'Overhead Expense,' or, as it is also called, 'Burden.' Overhead expense is the expense of every kind connected with the business, none of which can be directly located as belonging to a particular job. These expenses, while part of the cost of a job, are general, so can not reach the job direct; hence a method must be devised for them to reach the cost sheet in an indirect manner, the method at the same time being so planned that each job will receive its fair proportion of the total.....

"The first step in a fair and equitable distribution of factory overhead is a departmentalization of the business. Every business can be departmentalized to some extent, some more than others, but the subdivision into departments varies so much in the different lines that it is almost impossible to give any definite idea as to what divisions should be made. In departmentalizing a business, the fact should be borne in mind that the better the departmental subdivision is made, the more accurate will be the cost results.

"Building Expense, Power, Insurance, Taxes and Depreciation constitute what are generally known as 'Fixed Factory Charges,' because they are practically fixed, and the factory has nothing to do with either increasing or decreasing them.

Fixed  
Factory  
Charges

"The first requisite of a business is a place in which to work; consequently the first item of overhead is Building Expense or Rent. If the building is owned by the manufacturer, the building expenses consist of Insurance, Taxes, Depreciation, and Repairs, together with such other expenses as are general in their nature but yet are necessary to render the building useful, such as heat, light, elevator, janitor, and water. If the building is rented, the items of insurance, taxes, depreciation, and repairs are paid by the owner and in lieu of these is Rent. Rent includes a return on the investment in

addition to the items named; so when it is desired to make comparisons between plants where the building is owned and where it is

rented, the return on the investment must be taken into consideration.

"The basis of distribution for all rent charges is the productive or used square feet. The total used square feet divided into the total rent charges gives the charge per used square foot. This result multiplied by the used area of the department gives that department's proportion of the total rent expenses. By used floor space is meant that which is actually in use, exclusive of stairways, passages, elevator space, and idle or unused space.

"The second requisite is power, and this must be obtained either from outside sources or generated in one's own plant..... Power

"For distributing power charges the factor generally used is found by multiplying the horsepower required by each machine or department by the average hours run by each and dividing the sum into the total power charge. Power distribution is a problem in itself, and it varies so much in different plants that it is impossible to lay down any rules for its solution. Each plant must be treated in an individual manner according to the existing conditions.

"Insurance and taxes should be distributed on the basis of the actual net value of the equipment in each department. This practice refers to fire insurance and taxes on the plant only, as boiler insurance is a charge to power, accident insurance is a charge to general factory expense, and the charge for other forms of insurance is determined by the nature of the insurance. Taxes on real estate and plant only are chargeable against manufacturing operations, as taxes on finished goods in stock and franchise taxes are chargeable to general expense, while income tax is a direct charge to profit and loss.

"Depreciation is one of the most important of all the overhead expenses, because it is generally the largest. There has probably been more written on this subject than any other item of overhead, but there are so many different ways of handling depreciation, some of which are best adapted for one line and some for another, that there is really no recognized standard method. It is universally admitted, however, that depreciation does exist, that it is an element of cost just as much as labor or material, and that any system which does not provide for including it is faulty and one that

Depre-  
ciation



will not give true costs.....

"There are several methods of determining the amount of depreciation. One is to estimate the scrap value and deduct this figure from the original cost. The difference is then divided by the estimated life of the machine in years, and the result is the annual depreciation on that machine. A modification of this method which is not quite as simple, but really affords no difficulty, is, after ascertaining the amount to be charged off during the life of the machine, to determine a percentage which, when applied to the net book value of the machine, will leave only the scrap value of the machine on the books at the expiration of its estimated life. The advantage of this method in the interest of normal costs is that the decrease in depreciation charges is ordinarily offset by an increase in repairs.

"Variable charges or controllable expenses are the final items of factory overhead. These are subdivided departmentally and charged to the expense account of each department. Owing to the fact that no two lines of manufacture have the same kinds of expenses, a description of them must be very general. Such items as nonproductive labor, repairs, lubricating oils, and miscellaneous supplies are found in nearly all expense accounts.

"Factory expenses are incurred which can not be located as belonging to any department, and these items should be charged to an account called 'General Factory Expense.' This account should be distributed over the departmental expense accounts on some basis which is fair to all, the nature of this distribution varying as to special conditions existing in each particular business.....

**Interest** "The question of whether interest on the capital invested is a proper charge against cost of production is one on which there is a marked difference of opinion.....

"Cost accountants and industrial engineers, for comparative and statistical purposes, almost unanimously advocate including interest in cost, and so far as interest is included in cost for comparative or statistical purposes, it serves a useful purpose.

"Auditors, on the other hand, who are more directly interested in the preparation of statements showing the financial condition of a business, take the ground that interest is not an item of cost, and that to include it in cost results in an inflation of inventory values and an anticipation of profits. It is true that including interest in cost does inflate the inven-

tory and is an anticipation of profit by exactly the amount of interest charged to the cost of the goods on hand. In arriving at inventory

values, however, the approximate interest which has been charged to the cost of the goods on hand can be readily eliminated.

"It is recommended that where interest on the investment is treated as an item of cost, the interest charged to the goods on hand be eliminated from inventory values, and, that in preparing profit and loss statements the amount of the interest charged to costs during the period be returned to Income under the specific caption 'Interest on Investment.'

"In every manufacturing business it is unquestionably true that in some months items of expense will occur which are not properly chargeable against the cost for that month. For instance, it may be found necessary to make extensive repairs on a machine, which repairs are sufficient for the entire year, and it would be manifestly unfair to include the entire repairs in the costs of any given month. Furthermore, every business has its dull season when its departments are not running more than half time, and this would also result in the actual cost for those months being abnormally high.....

"It is necessary, therefore, that costs be averaged over a period of time sufficiently long to take in both dull and busy seasons. The method of doing this is to establish a 'Reserve for Overhead,' and credit this account with the reduction in cost during the busy season and charge it with the increase in cost during the dull season. The balance of this account is closed out to Trading Account.....

"Having now provided for the recording of the overhead expense, it becomes necessary to provide for charging it to the different jobs. There are several methods of doing this. The first is by charging a percentage on direct labor, but this in many lines results in inaccuracies, and the method has been discarded by a large number of manufacturers, although there are many who still use it owing to its ease of operation.....

"There are, however, some lines of manufacture where the direct labor method of distributing overhead can be used to advantage, particularly where the workmen are on a piece-work basis or where they receive practically the same wage. In such cases a percentage of direct labor will give good results.

"Another method, and the one that is recognized by a majority of manufacturers and ac-

Normal  
Costs



one man and get even by whacking the next—no matter if he is a salesman. Each has his part in creating public opinion, and each salesman counts as much as ten non-talkative men who sit tight in one place.

(Continued)

"No, sir; Modern Business is built on Service—attentive, consistent, helpful Service. And the beginning of Service is a courteous consideration of the rights and feelings of the other person.

"Incidentally," said the G.M., as he indicated that the interview was at an end by turning to his work, "it does not pay a man to be rude, even to his wife. I don't believe much in personal telephone calls during business hours, but it is better to give your wife the benefit of your opinion on the subject in the seclusion of your home, rather than to express it in an irritable manner over the telephone."

IS The Pace Student worth while? Does it serve a useful purpose? Does it justify the careful planning, the painstaking effort we have bestowed upon it during the twelve months just passed? Have we made progress toward the goals we have set—typographical, informative, inspirational? Let us see.

The typographical goal: Publishers and printers of many magazines, by word of mouth and by letter, have praised our standards; in some instances they have posted copies of The Pace Student in their composing rooms as typographical models.

The informative goal: Not only students, but practicing accountants, have made frequent use of our Question and Answer Department. They have thanked us for helping them solve technical problems, clear up mooted points, and convince obstinate clients of the error of their ways.

The inspirational goal: Business executives, editors, teachers, office boys, convicts and governors of states have had pleasant words to say of the inspirational spirit of our pages.

So, if we expand our chest a little proudly on this, our birthday, and appear to boast a bit—we also, with candor and humility of spirit, desire to thank you for what you, as readers and as boosters, have done to help our progress toward our high-set goals.

*Many things talk louder than words. One of them is the ability to get things done.*

*Mental blindness leads the moral and spiritual nature into more blind alleys than physical blindness does the body. Watch your step, yes, but your mental processes more.*

sent may be either express or implied. It is not to be implied from the mere fact that the borrower retains possession of the mortgaged

chattel. If by the terms of the contract the lender has the right to the possession of the property at any time that he desires to seize it, the Courts tend to prefer the claim of one who has made repairs. Possession of the property by the borrower, with the continued acquiescence of the lender, is here considered tantamount to consent by the lender to any repairs necessary for its upkeep and preservation.

It is likewise held that if the repairs are made after the borrower has defaulted, and if the lender has thereby secured the right of possession, the lien of the mechanic is superior to the mortgage.

Somewhat similar in principle is the case of a husband who engaged a mechanic to repair a wagon belonging to his wife. The mechanic supposed that the vehicle belonged to the husband. The husband failed to pay. When the wife demanded the vehicle, the mechanic would not give it up. The Court held that, since the wife clothed the husband with apparent ownership of the wagon, the lien of the mechanic attached, even though the wife had no knowledge of the service rendered.

Very often the question arises in connection with vehicles that are used by the borrower to earn an income. Obviously, it is as much to the interest of the lender as to that of the borrower that the earning capacity of the property be not cut off. To this end repairs are considered necessary properly to maintain the property. Hence the Courts held that the lien of the mechanic is to be preferred to the mortgage of the lender. This doctrine follows a long line of cases holding that liens on vessels, under like circumstances, are to be preferred.

Courts are more favorably inclined to the holder of a lien for repairs than to the holder of a lien for storage. Storage, it is argued, may be, and often is, unnecessary. Furthermore, repairs improve the security because of added asset value. A different situation arises, however, if the lender was notified by the person holding the lien that the property was to be stored and offered no objection. In such instances, the Courts hold that he gave his implied assent to the storage.

All of these cases turn upon what facts may be considered as implying an assent to the services performed. Only when such an implication is possible will the Courts give preference to a lien over a prior chattel mortgage.

(Continued)



**L**ARGE enrollments and earnest enthusiasm marked the opening in September and October of the various schools and colleges giving the Pace Standardized Courses.

Members of the Pace Administrative staff attended the opening sessions at a number of these institutes.

Mr. Homer S. Pace visited Buffalo, Cleveland, Detroit, Chicago, St. Louis, and Cincinnati, in which cities he gave his lecture, "The New Education for Business."

At the four schools in the New York Metropolitan District, the Washington School of Accountancy, and the Pace Institutes of Accountancy of Boston and of Baltimore, Mr. Chas. A. Pace lectured on "The Educational Trend in Modern Business."

Mr. Horatio N. Drury opened the new school at Bridgeport, Connecticut, with a lecture on "The Educational Note in Modern Business." Mr. Drury also spoke at the opening sessions of the Brooklyn, the New York, and the Newark Accountancy Institutes.

Mr. Elmer O. Stevens, Director of the Extension Division, visited Trenton, N. J., at the opening of the new school of Accountancy that has been established there by the Rider-Moore & Stewart School. At the conclusion of Mr. Stevens' address, twenty-one of the twenty-four prospective students to whom he spoke registered for the semester beginning that night.

The Young Men's Christian Associations at Providence, R. I., Springfield, Mass., and Hartford, Conn., and the Rochester Institute of Accountancy, had as their opening speaker, Mr. Oscar M. Miller, Director of the Pace Agency for Placements, Inc. He lectured on the subject of "Your Growth in Business."

Many of the schools which could not be reached by members of the Pace staff secured as their opening speakers men of high standing in the profession of accountancy, or accountants who have risen to prominence in executive business positions.

The San Francisco School of Accountancy had as lecturer, Mr. John F. Forbes, C.P.A. The executives of a large number of San Francisco corporations sent their subordinates to hear that lecture.

The Worcester School of Accountancy and Business Administration had a large audience to hear Mr. J. E. Masters, C.P.A., member of the Board of Examiners of the State of Massachusetts.

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PHILIP C. GRANT, Accountancy Institute of Brooklyn, has accepted the post of Cost Accountant for the Nathan Manufacturing Company. Mr. Grant was formerly engaged in the practice of public accounting on the staff of Arthur Young & Company.

ALBERT J. BODENSTEIN, New York Institute of Accountancy, who has been employed by John Steneck & Son, is now engaged as bookkeeper for the General Optical Company.

VIRGINIUS BUTT, Pace Institute of Accountancy, Extension Division, has severed his connection with the Mitchell Agency, Portsmouth, Va., to take up the practice of accountancy in New York City on the staff of Arthur Young & Company.

CONSTANTINE J. WALTER, New York Institute of Accountancy, has accepted a post as accountant in the employ of Lamont Corliss Company. Mr. Walter was formerly engaged in public accounting work.

DAYTON E. SMITH, New York Institute of Accountancy, who was formerly engaged in the practice of public accounting in Savannah, Ga., with Charles Neville & Company, has returned to New York City to accept the post of Senior Accountant on the staff of Francis H. Hurdman, C.P.A.

R. F. TILLISON, New York Institute of Accountancy, formerly Director of the Chatham Institute of Accountancy, Savannah, Ga., has again taken up his residence in New York City. He has recently accepted a position on the staff of Francis H. Hurdman, C.P.A.

HARRY W. GRELL, Accountancy Institute of Brooklyn, who has been employed as bookkeeper in the U. S. Mortgage & Trust Co., is now engaged in the Accounting Department of H. S. Kerbaugh, Inc.

G. E. LAMB, C.P.A., of Cincinnati, took occasion to visit the Pace organization during his recent visit to New York. Mr. Lamb is much interested in educational training for the professional practice of Accountancy.

NORMAN WALKER, editor of The New Orleans Times-Picayune, visited the Pace offices recently.

THE BROOKLYN INSTITUTE OF ACCOUNTANCY held a delightful social at the Brooklyn Central Y.M.C.A. on Saturday evening, October 21st. More than two hundred were present, this number including students, members of the faculty, and their wives or fiancées. The program was an interesting one. It comprised short and appropriate speeches by Melsom S. Tuttle, C. W. Dietrich, Homer S. Pace, Horatio N. Drury, and Frederick M. Schaeberle; violin solos by Miss Reba Swain, and dialectic interpretations by W. T. Wetmore. Refreshments were served. The spirit of good fellowship and social cheer prevailed. It was a get-together occasion that every one present enjoyed.

HAMILTON S. HOLT, editor of The Independent, was a recent visitor at the Pace offices. Mr. Holt was particularly interested in the vocational and placement work of the organization.

R. J. BEAMAN, C.P.A., instructor in accounting at the Cincinnati School of Accounting and Business Administration, visited the Pace offices during his sojourn in New York to attend the annual meeting of the American Association of Public Accountants.

ALBERT T. BACON, C.P.A., of Chicago, CHARLES NEVILLE, C.P.A., of Savannah, W. F. MCKENZIE, C.P.A., of Portland, Ore., DAVID SMITH, C.P.A., of Detroit, F. A. SMITH, C.P.A., of Kansas City, and C. G. WESTON, C.P.A., of Denver, Colo., were guests of the Pace organization recently.

M. N. BAKER, Editor of The Engineering News, was a recent guest of the Pace Administrative offices, 30 Church Street, New York.

NATHANIEL MILLER, of Springfield, Massachusetts, Pace Institute of Accountancy, Extension Division, recently visited the Pace Administrative offices at 30 Church Street, New York.

THE PACE ACCOUNTANCY CLUB OF NEW HAVEN, Connecticut, held on September 9, 1916, a banquet marking the completion of the first year of this organization's history. The event was regarded as a great success. Among the speakers were A. W. Earle, Secretary and Assistant Treasurer of the Winchester Repeating Arms Company; N. B. Stone, President of the New Haven Publicity Club; and Donald A. Adams, Law Instructor of the Stone Business College of New Haven.



English  
Department

Horatio  
N. Drury,  
B.A.



LETTERS of recommendation should be given cautiously. To give letters of recommendation to persons of whom you know but little is foolish. The best

thing to do is to say on paper only what you can support by personal observation and knowledge. In the case of unfavorable replies to inquiries in respect to character and ability, the cautious business man will give his opinion over the telephone or in conversation, rather than on paper.

Letters  
of  
Recommendation

Abend Machine Company  
246 Broadway  
New York.  
January 9, 1916.  
Newton Manufacturing Co.,  
501 Liberty Street,  
New York, N. Y.

Gentlemen:

This note will be presented by Mr. George Duell, who was with our company for two years as a bookkeeper. We found him accurate and reliable, and we know of no reason why he should not be valuable to you in a similar capacity.

Very truly yours,  
Abend Machine Company,  
By F. S. Manning,  
General Manager.

William P. Acer  
Montclair, New Jersey.  
July 18, 1916.

George P. Nixon, Esq.,  
120 Fifth Avenue,  
New York, N. Y.

Dear Sir:

I have known Mr. James F. Tobey for ten years, and I highly esteem him as a neighbor and a citizen.

Of his special fitness for the position he seeks I know nothing, but for his character as a man I have only words of praise.

Very truly yours,  
William P. Acer.

James F. Alder  
Mutual Life Building,  
Rochester, N. Y.  
August 30, 1916.

Mr. Alexander E. Norton,  
99 Western Avenue,  
Syracuse, N. Y.

Dear Sir:

The bearer of this note is the son of an old friend of mine. He expects to be in Syracuse for a month or more, and any business and social courtesies that you may

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be able to show him, I shall greatly appreciate.

Very truly yours,  
James F. Alder.

Stanwix & Sons  
Wentworth Building  
Kansas City, Kansas.

June 19, 1916.

Mr. George Warden,  
56 Barclay Avenue,  
Kansas City, Kan.

Dear Mr. Warden:

I have your letter of June 18th asking me for a testimonial in reference to your character and general ability.

You will remember that you were with Stanwix & Sons a little less than a month, and that I consequently had very little opportunity to form an accurate estimate of your capabilities and your character.

I feel, therefore, that I have not sufficient data at hand upon which to base a statement that would be both truthful and explicit enough to serve your purpose.

Very truly yours,  
John J. Stanwix.

The Vernon Steel Corporation  
Vernon Building,  
New York.

July 24, 1916.

Mansfield P. Manne, Esq.,  
21 Ocean Parkway,  
Brooklyn, N. Y.

Dear Mr. Manne:

I have had the privilege of observing closely the effect of the educational work carried on in our organization under your supervision, and I unhesitatingly say that the results achieved have been very beneficial, not only to the members attending your classes, but to our organization as a whole.

I firmly believe in the systematic development and cultivation of the natural powers, and I feel that the methods which you have adopted for training the mind by inculcation of precept and by examples, produce most effective results.

Very truly yours,  
Edward E. Vernon,  
Vice President.

215 Mercer Street,  
Baltimore, Md.,  
August 10, 1916.

Honorable William C. Drummond,  
Chairman, Board of Education,  
Baltimore, Md.

Dear Sir:

I have been informed that Mr. Richard F. Power is a candidate

for the position of teacher of English in West Side High School. It gives me great pleasure to commend Mr. Power, both as a man and as a teacher, in the most unqualified terms.

For several years it was my privilege to be associated with Mr. Power in the teaching of English in the Bridgton State Normal School at Bridgton, Ohio, and to learn something of his methods and of the character of his work. The excellent results that invariably followed Mr. Power's instructions were due to forethought, originality, and sound judgment. He had the ability to plan successfully and to adhere to his plan, to select essentials, to combine in one recitation various phases of the work, and to carry forward the whole to a logical conclusion at the end of the course.

Mr. Power's presentation was always clear, definite, and forcible. He insisted on an immediate and practical application of knowledge acquired, and his students at the end of one term showed efficient training in clear thinking and clear expression—an achievement few teachers can claim for their pupils at the end of four years.

For one who wishes to accomplish definite and practical results in the study of English in a brief period of time, Mr. Power is an ideal instructor. He is one of the most capable teachers of English I have ever known.

Very truly yours,  
Walter J. Drake.

Howard D. Gunther  
2459 Broadway  
New York.

March 16, 1916.

George F. Birmingham, Esq.,  
Supt., Eastern Chemical Works,  
Yonkers, N. Y.

Dear Birmingham:

A friend of mine, Walter C. Hartley, will call upon you in a few days to talk to you about the subject of employers' liability insurance. He has a really sound and sensible plan to present, and I am sure that you will be interested in it.

I feel that the time I have spent with Mr. Hartley in considering his proposition has been well spent.

Incidentally, you will find that Mr. Hartley will not waste a moment of his interview with you. He knows the value of the other man's time.

Any courtesy that you may be able to show him, I shall greatly appreciate.

Sincerely yours,  
Howard D. Gunther.

Models



**I**N a recent issue of the New York Sun there appeared on the educational page an article by Homer S. Pace on the "Progress and Evolution of Business Education." The educational products of business experience, of the private business school and commercial high school, and of the professional and university schools of business, were discussed and compared. The conclusion was reached that the new movement in commercial education seeks to graduate men and women who have an understanding of Business itself rather than a mere vocational training in some incident of business, such as the writing of shorthand, the operation of the typewriter, or the keeping of books, useful as the latter may be. It is shown that this understanding of Business cannot be obtained without education in the economic and psychologic laws and principles that are operative in the business organization, in the legal rules and regulations that govern business transactions, and in accounting—the language in which business transactions are expressed. The following paragraphs from the article have a specific bearing on the subject of Accounting:

"Business has a language in which it records its transactions. If you desire credit from a banker he will ask you to submit a balance sheet and possibly a profit and loss account. He will wish to secure an understanding of what your business is and of what your business has done. In short, he will ask for information to be submitted in the working language of business.

"If a business manager desires to secure a control of an operation or of a department, he calls upon his accounting department for the information. If he wishes to compare one year with another, it is again a matter of accounting. Turn where you will throughout all business, you will find that business is directed by reason of facts submitted in the form of statements and reports, and in nearly all cases you will find a definite accounting procedure in operation as a means toward gathering and making available the needed information.

"We must conclude, therefore, that one who is to understand the processes of business and to give directions to others in the handling of business transactions is needlessly handicapped if he pursues his way without an understanding of the working language of commerce. He may get along after a fashion, just as a man in a foreign country may indicate his wishes by signs instead

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of by using the accredited language of the country in which he is sojourning. The young man who is thus devoid of the accepted business language cannot secure his results as quickly or as surely as the young man who has made proper preparation for understanding the conditions with which he will be surrounded.

"Accounting, therefore, preferably secured by the scientific and sure processes of professional education, is an essential part of the equipment which is being secured by the thousands of young men who in New York and elsewhere are securing a modern foundation for their business success."

The article in conclusion lays stress upon the coordination of the various subjects of study that are a proper part of a program of commercial education, and sums up the entire argument in the following manner:

"Finally, and above all, the subjects of economics, of law, and of accounting, upon which business success rests, must be coordinated. The business world has little use for principles of economics that cannot be applied in its everyday affairs. The application will always have to be made subject to legal rules and restrictions, and the effect of the application must always be shown in the language of business, i. e., accounting. Therefore, when these subjects of study are taught in a coordinated way the student is carried over, times without number, from the general and underlying principles of economics to their specific application in business.

"Thus, we understand the economic principle that a community must preserve its capital in order to be prosperous, and the application of this principle to the business organization is seen in the rule of corporation law that a corporation may not distribute its capital in the guise of dividends. After this we consider the principles of valuation and the elements of cost determination, and finally the specific steps that are necessary in the books of a business enterprise to carry into effect the conclusions in the specific instance. In a similar manner all the essential principles of economics can be specifically applied.

"From training of the foregoing kind comes an understanding, first of all, of business itself. The objects of business, the organization of busi-

ness, the processes of business—all take form in the student's mind in a philosophy of modern commercial organization. An ability is developed to reason logically in respect to the affairs of commercial life. The underlying laws and principles safeguard against major errors, and the training in specific accounting and legal rules gives that student an immediate usefulness that insures an earning power in commercial life immediately upon his graduation. In this manner the educational forces of the country are bringing into commercial life a conservation of energy and a scientific and systematic scheme of preparation that will go far toward compensating the coming generation for the diminishing supply of natural resources with which it must work."

**N**OW and again an individual adopts a somewhat unreasonable attitude in respect to the function of a vocational agency. Witness the following letter recently received by the Pace Agency for Placements, Inc.:

"Give me a job. I aint got no job so give me a little piece of something to do. make me have a good job tomoro because ile kill you."

Fortunately, the Agency is incorporated and under the New York law may have perpetual succession even though it is unable to deliver the desired job. It can't be killed.

HERBERT R. JAQUAY, Pace Institute of Accountancy, Extension division, formerly Controller and Credit Manager of the Funk & Wagnalls Company, has accepted the post of Office Manager of the firm of Marden, Orth & Hastings.

THOMAS A. CUNNINGHAM, who was formerly connected with the Charles Williams Stores in the capacity of Department Manager, has accepted through the Pace Agency for Placements, Inc., a Branch Office Managership with the B. F. Goodrich Company of Akron, Ohio.

B. B. THROOP, Pace Institute of Accountancy, has severed his connection with The Erie Railroad Company to accept a position as Private Secretary to President Orth, of Marden, Orth & Hastings.

We regret to announce the death of R. L. CUTHBERT, Chartered Accountant, formerly of Deloitte, Plender, Griffiths & Co., who was killed on the Western front in France while serving his country. Mr. Cuthbert's friends among American accountants will be greatly pained to learn this sad news.

Job  
Wanted



## Organization

**T**HE problem of organization—ever present in all undertakings involving more than individual effort—is necessarily of vital interest to many people. In an address delivered before the Association of American Railway Accounting Officers at Detroit, W. E. Bailey, General Auditor, Atchison, Topeka and Santa Fe Railway, defines organization and discusses its underlying principles.

"Organization is defined as the process of arranging constituent or interdependent parts into an organized whole, and maintaining, strengthening, and improving that organic whole as well as molding and remodeling it to meet changing conditions.

"Efficiency is dependent upon the selection of the right individuals and the proper training afforded them," says Mr. Bailey. "Therefore, efficient organization is not a creation of a day." Mr. Bailey believes that the ideal method is to provide new members at the bottom, and to train and educate them for advancement as opportunity, experience, and ability permit. Cooperation among the various units is essential in order to accomplish effectively the purposes for which the organization is created.

There should be some "yard stick" employed by the executive in charge for measuring the efficiency of a department or of individuals, asserts Mr. Bailey. Through this means, a guide to the quantity and regularity of the output will be secured and the executive will be informed as to which features of the work need investigation and which individual employees require particular attention.

"In the handling of every organization involving ..... the human equation, intelligent discipline is an imperative necessity. All employees should be treated justly and impartially."

One of the most important factors in the success of an organization is the creation of a spirit of loyalty and enthusiasm. Without this esprit de corps the fullest possibilities cannot be developed, nor the best results obtained.

## Manual Arts

**W**HATEVER else education may legitimately do, it ought to undertake to prepare every individual to do his share of the world's useful work in an effective manner." This excerpt from Vocational Educational Letter No. 15, issued by the Department of the Interior, Washington, D. C., forms part of a statement emphasizing the importance and function of manual training and its relation to vocational matters.

The letter states that the primary purpose of education in this country is to prepare individuals for citizenship in a democracy, and it is claimed that manual arts work in the schools has contributed distinctly to the development of a democratic spirit in education. The principle of equal opportunity for all in educational practice is now receiving definite recognition. "With a mere pittance of the time of the school program the manual arts subjects may claim credit for having established workshops in schools, for creating in schools a place of interest and activity for thousands who otherwise would have found little of interest to them ..... for having maintained principles and practices of social service, and for having fostered the principles of cooperative effort in human affairs."

That the manual arts form an important aid in assisting young people to determine vocational aptitudes and in laying the foundation upon which to base specific vocational

courses should be clearly recognized. It is not the aim of vocational education to disparage culture or a thorough grounding in general education. On the contrary, a broad foundation of general education is necessary for the adequate accomplishment of the purpose of vocational education.

**HOWARD BERRY**, formerly Comptroller of the Remington U. M. C. Company, has accepted through the Pace Agency for Placements, Inc., an important position on the accounting staff of the American International Corporation.

**ARTHUR W. STOVER**, Accountancy Institute of Brooklyn, who for some time past has been practicing accounting in Savannah, Georgia, on the staff of Charles Neville & Co., has accepted a position on the accounting staff of the American International Corporation.

**LOUIS G. BATTELLE**, Pace Institute of Accountancy, Extension Division, has received the degree of Certified Public Accountant from the State of Ohio. Mr. Battelle is now a member of the faculty of the Dayton School of Accountancy and Business Administration, Dayton, O.

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(Continued)

countants as the standard, is what is known as the 'Productive-Hour Method.' In a plant where practically all the labor is hand labor, the man hour is the basis and the total hours divided into the total overhead expense gives a rate per hour, which rate multiplied by the hours spent on a job gives the overhead expense chargeable to that job.

"In a plant where machines are the producing unit, the distribution must be on the basis of the machine hour, and the same method is pursued as in the case of the man hour.

"An estimate of overhead expenses should be made at the beginning of the year, based on previous years' experience with such changes as the executive's knowledge of business conditions leads him to make. This figure, divided by the expected output in hours of the machines, gives a normal overhead expense rate to be applied to all work in that department. This rate remains constant until the end of the fiscal year.....

"The job cost sheet has now been charged with the three elements of cost, viz., material, labor, and factory overhead expense, and the total of these constitutes factory cost, to which must be added the general overhead.

**Total  
Factory  
Cost**

"All of the items of factory cost now having been described and the goods completed and placed in the storeroom as finished goods, the next step is the method of handling the shipping, selling, and general expenses of the business.

"Shipping account is charged each month with its proportion of the fixed charges and with labor, supplies, and miscellaneous expense items. The total of this account is closed out to Profit and Loss.

"Selling expense is the next item to be considered. Some include everything under this head that is not charged to the factory. A better plan, though, is to separate the actual selling expense from the general expenses and include in selling only such items as salaries and expenses of the sales force whether on the road or in the office, advertising, catalogues, price lists, the cost of handling cancelled orders, etc.

"Under general expenses are included officers' salaries, office expenses (not including factory clerks), discount on sales, bad debts, bad work, franchise taxes, and other items of a general nature. The item Bad Work included in General Expense is defective work. As every manufacturer has to contend with this item of ex-

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pense, it must be included with the other general expenses.

"An estimate of shipping, selling, and general expenses should be made at the beginning of the year. This amount divided by the estimated cost of the total completed work for the year gives a percentage for these items. Applying this rate to the factory cost of a job, the amount which must be added to factory cost to ascertain total cost is readily determined.

"The principles of double entry are carried out in connection with a cost system by means of what is known as 'controlling accounts.' The advantage of the controlling principle is that it puts the bookkeeper in a position to check up the work of the cost department in totals, or, in other words, to control it.....

"Materials account is charged with all purchases of materials from the accounts payable or voucher register. The requisitions for the month are totaled, and a journal entry is effected crediting Materials and charging Work in Process. The balance of the account is the cost of the materials in the stock room.

"Labor account is charged with the total labor, both direct and indirect. At the end of the month the account is credited with the total labor shown on the cost clerk's labor summaries, and Work in Process is charged with the direct labor, and the departmental expense accounts with the indirect labor.....

"Building Expense account is charged with all expenses of every kind, and at the end of the month a journal entry is made charging each department with its proportion of the total and crediting Building Expense account. The entire expense of this account should be absorbed by the departmental expense accounts.

"Power account is handled in exactly the same manner. The entire expense of this account should also be absorbed by the departmental expense accounts.

"Insurance is charged with all insurance which applies to the factory, such as fire, accident, boiler, etc. This account is credited each month with one-twelfth of the annual payment and the proper departmental account is charged. Insurance on stock, either raw material, work in process, or finished goods, is charged to General

Expense and Insurance Account is credited. The balance of this account is the value of prepaid insurance.

"Taxes account is handled in the same manner as the Insurance account, but these two accounts should be kept separate.

"Depreciation account is comparatively simple to handle. A journal entry is made each month charging Building Expense, Power, and the departmental expense accounts with the amount of depreciation decided on at the beginning of the year. The credit goes to an account called 'Depreciation Reserve,' the effect of which is to reduce the book value of the plant and equipment, although it is not a good plan to actually reduce this value on the books. It is better to carry the reserve account and let the plant accounts remain at the original cost figure.

**Depre-  
ciation  
Reserve**

"The departmental expense accounts have now been charged with their proportion of the fixed charges and with the indirect labor. The only other charges are miscellaneous expenses, supplies, and repairs, and these come from the Accounts Payable Register. These departmental expense accounts are now credited with the distributed overhead expense determined by multiplying the number of operating hours by the normal hourly rate, Work in Process account being charged. This total credit should balance the expense accounts, but practically there will be small balances which should be charged or credited at the end of the year to Reserve for Overhead.

"Work in Process account now stands charged with direct material, direct labor, and the departmental overhead expense. It is credited with the cost of all jobs completed during the month, the charge being to Finished Goods account. The balance of Work in Process account is the factory cost of incomplete work. The charge to offset this credit is to Finished Goods account.

"When goods are sold, Finished Goods account is credited with the cost and Trading Account charged. This figure is what is known as 'Cost of Sales.' When goods are returned, Trading account is credited and Finished Goods charged with the cost of the returned goods, so that Cost of Sales will only be the cost of goods actually sold.

**Cost  
of  
Sales**

"The Reserve for Overhead is charged or credited to Trading account, so that the balance of the account is the true gross profit on the goods sold."



**Tom Enrolls** "I KNOW the Course is all right. You don't have to boost it to me. Herb Schwartz, who is with the Rand Smelting folks, finished it last year, and he's been at me ever since to take it up. So you see you're not the first guy to get after me on this study proposition."

Tom was speaking. The day's work was over, and Tom and Walter had been lucky enough to find seats in a crowded trolley car that would take them home.

"Well, why don't you enroll, then?" asked Walter. "You know that you need the knowledge which the Course will give you, if you are ever going ahead. You know, too, that study makes a man think for himself and sharpens his mind, and that mental power is, after all, the one thing that makes the difference between us little fellows and the top-notchers."

"I rather guess I will take a chance at this study game when I get around to it," replied Tom, thoughtfully. "Only I can't do it this year. I've got too many other places for my little wad of dough; besides, I'm not going to bury myself and sweat blood just yet. There's time enough later."

"Time enough later! You're just like all the rest of the ninety-nine-out-of-every-one-hundred young chaps!" exclaimed Walter, disgustingly. "Every fellow I know is go-

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ing to do something worth while tomorrow, next week, or next year, but never at once—now, right off the bat. The result is that time keeps on passing, and he wakes up to find himself an old man still holding down a routine job and sore on what he calls 'the other man's luck.' You dilly-dawdlers give me a pain, the whole pack of you!"

"Hold your horses, Walter," replied Tom. "Anybody would think that you had doped out a sure recipe for success, to hear you rave."

"I don't know as to that," rejoined Walter. "I haven't had nearly as much experience or as many opportunities for observation as a good many other folks, but I know one thing—that the power to make the right kind of decisions and to carry them out at once characterizes successful men. It's one thing to know what you ought to do, but it's quite another thing to go ahead and do it. The failures—most of them—are the fellows who lack the gimp to do what they know they should do."

"You surely talk as if you knew a thing or two," said Tom, now somewhat nettled that his mental and moral courage should be called in question. "Just to show you that my backbone isn't made of mush,

I'll enroll in that Course to-night, and I'll stick to it for the first term anyway. You can't poke too much fun at me and get away with it."

Walter again is right. Most persons know the close connection between intensive study and increased usefulness and earning power. Actually to map out a course of study and to put it into immediate effect—there's where the test of one's mettle comes in; it is the test that determines in the first and last analysis one's worthiness of success and one's likelihood of attaining it.

DAVID McKEAN, Detroit Technical Institute, formerly one of the statisticians of the Ford Motor Company of Canada, has been appointed Office Manager of the Building and Construction Department of the H. A. Jones Real Estate Company of Detroit.

ROBERT S. OSBORNE, Kansas City School of Accountancy, Law, and Finance, has opened offices for the general practice of Law at 213 Glendale Building, Kansas City, Mo. Mr. Osborne was formerly connected with the statistical department of the Bell Telephone Company.

JOSEPH G. EICHENBAUM, C.P. A. (New York), New York Institute of Accountancy, is engaged in the practice of Accountancy with offices at 20 Vesey Street, Evening Post Building, New York City.

# T H E A N N A L I S T

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